CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 12, 2004

H.R. 4759
A bill to implement the United States-Australia Free Trade Agreement

As ordered reported by the House Committee on Ways and Means on July 8, 2004

SUMMARY

H.R. 4759 would approve the free trade agreement (FTA) between the government of the United States and the government of Australia that was entered into on May 18, 2004. It would provide for tariff reductions and other changes in law related to implementation of the agreement.

The Congressional Budget Office estimates that enacting the bill would reduce revenues by $29 million in 2005, by $293 million over the 2005-2009 period, and by $884 million over the 2005-2014 period, net of income and payroll tax offsets. The bill also would increase direct spending by less than $500,000 in 2005. Implementing the bill would cost less than $500,000 in each year, subject to appropriation of the necessary amounts.

CBO has determined that H.R. 4759 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4759 over the 2004-2009 period is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
CHANGES IN REVENUES						
Estimated Revenues	0	-29	-47	-58	-71	-89
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	0	*	0	0	0	0
Estimated Outlays	0	*	0	0	0	0

NOTE: * = increase of less than $500,000.

a. H.R. 4759 also would affect spending subject to appropriation, but the amounts of those changes would be less than $500,000 a year.

BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumed that H.R. 4759 would be enacted by October 1, 2004.

Revenues

Under the United States-Australia agreement, all tariffs on U.S. imports from Australia would be phased out over time. The tariffs would be phased out for individual products at varying rates according to one of several different timetables ranging from immediate elimination to gradual elimination over 18 years. According to the U.S. International Trade Commission (USITC), the United States collected $109 million in customs duties in 2003 on about $6.5 billion of imports from Australia. Those imports consist mostly of chilled and frozen meat, wine, certain motor vehicles and motor vehicle components, and various products made of metal. Based on these data, CBO estimates that phasing out tariff rates as outlined in the U.S.-Australia agreement would reduce revenues by $29 million in 2004, by $293 million over the 2005-2009 period, and by $884 million over the 2005-2014 period, net of income and payroll tax offsets.

This estimate includes the effects of increased imports from Australia that would result from the reduced prices of imported products in the United States, reflecting the lower tariff rates. It is likely that some of the increase in U.S. imports from Australia would displace imports from other countries. In the absence of specific data on the extent of this substitution effect, CBO assumes that an amount equal to one-half of the increase in U.S. imports from Australia would displace imports from other countries.

Direct Spending

H.R. 4759 would exempt certain Australian imported goods from the merchandise processing fee collected by the Bureau of Customs and Border Protection (CBP). Under current law, those fees will expire after March 1, 2005. Based on information from the CBP, we estimate that enacting the bill would decrease fee collections by less than $500,000 in fiscal year 2005.

Spending Subject to Appropriation

Section 104 of H.R. 4759 would authorize the appropriation of whatever sums are necessary to the Department of Commerce (DoC) for administrative support for Chapter 21 of the agreement. Based on information from DoC regarding its experience with similar requirements in recent free trade agreements, CBO estimates that implementing section 104 would cost about $100,000 per year, assuming appropriation of the necessary amounts.

SUMMARY OF EFFECT ON REVENUES AND DIRECT SPENDING

The effects of H.R. 4759 on revenues and direct spending over the 2005-2014 period are shown in the following table.

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Changes in receipts	-29	-47	-58	-71	-89	-101	-109	-118	-127	-137
Changes in outlays	*	0	0	0	0	0	0	0	0	0

NOTE: * = increase of less than $500,000.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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